

Message Text

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44

ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 FEA-01 PA-01 PRS-01 /135 W

----- 084886

R 021207Z SEP 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 8925

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BAGHDAD

USMISSION EC BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ENRG OPEC IR

SUBJ: IRANIAN VIEWS ON EXTRAORDINARY OPEC MEETING AND OIL
PRICES

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1. NIOC'S CHIEF OF OPEC AFFAIRS, GHAFOUR YOUSSEFIANI, RETURNED

FROM ECB MEETING IN VIENNA ON AUG 31 AND HAD A FRANK AND FRIENDLY DISCUSSION WITH EMBASSY PETROLEUM OFFICER ON SEPTEMBER 1. THE FOLLOWING VIEWS AND INFORMATION WERE OBTAINED.

2. IRAN DOES NOT BELIEVE THAT THERE WILL BE AN EXTRAORDINARY OPEC MINISTERIAL MEETING PRIOR TO DECEMBER 15. MOREOVER, IRAN WOULD OPPOSE CONVENING SUCH A MEETING. YOUSSEFIANI SAID THAT IRAN AT DECEMBER MINISTERIAL MEETING WILL URGE (AND EXPECTS BROAD SUPPORT) THAT OPEC BASE ITS DECISION ON OIL PRICES, AT LEAST IN PART, ON RESULTS OF SEPTEMBER CIEC MEETING.

3. IRAN WILL NOT SUPPORT THE HOLDING OF A SPECIAL ECB MEETING PRIOR TO SCHEDULED NOVEMBER MEETING; AND IF ONE IS HELD MIGHT NOT ATTEND.

4. YOUSSEFIANI -- WHO HAS WORKED WITH MODELING, OPTIMIZATION AND LINEAR PROGRAMMING-- IS NOT SANGUINE OVER CHANCES OF ECB STAFF OR OUTSIDE CONSULTANTS DEVELOPING A DIFFERENTIAL PRICING FORMULA THAT IS WORKABLE OR THAT WILL BE APPROVED BY OPEC MINISTERIAL MEETING. IT WAS NOT CLEAR WHETHER THIS WAS A PERSONAL OR OFFICIAL VIEW, ALTHOUGH HE INFERRED IT WAS THE LATTER.

5. IRAN HAS ADOPTED AND WILL CONTINUE TO MAINTAIN A "MODERATE" STANCE ON CRUDE PRICES. ALTHOUGH YOUSSEFIANI DID NOT SPECIFICALLY SAY WHAT IRAN'S GOALS RE PRICE WERE OR WOULD BE AT DECEMBER MEETING, HE SPECULATED THAT A MODERATE INCREASE WOULD BE 15-18 PERCENT. ACCORDING TO YOUSSEFIANI, IRAN IS CONTENT FOR THE TIME NOT TO CHALLENGE SAUDI ARABIA BUT HE FEELS THAT S.A. WILL BE ISOLATED AND DEFEATED IF IT ATTEMPTS TO THWART THE WILL OF THE MAJORITY IN DECEMBER ON ISSUE OF PRICE INCREASE. SOURCE ALSO SAID THAT IRAN IS AWARE OF THE POTENTIAL DIFFICULTIES AND DANGERS OF REPEATED, LARGE AND ABRUPT INCREASES IN OIL PRICES AND THEREFORE FAVORS SMALLER, MORE FREQUENT "ADJUSTMENTS". (EMBASSY NOTE: IT WAS CLEAR THAT IRANIAN PREFERENCE FOR SMALLER, MORE FREQUENT PRICE INCREASES WILL ONLY BE EXHIBITED AFTER OPEC HAS AGREED TO A LARGER, CATCH-UP INCREASE.)

6. ON AUGUST 26 AT ECB MEETING, YOUSSEFIANI MADE A FORMAL PROPOSAL FOR THE ESTABLISHMENT OF A SPECIAL PETROCHEMICAL COMMITTEE FOR LIMITED OFFICIAL USE

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SION. IRAN IS UNDERSTANDABLY CONCERNED OVER ADVERSE EFFECTS OF POSSIBLE OVER-SUPPLY OF PETROCHEMICALS (AND RESULTING DEPRESSED PRICES) ON PRODUCERS SUCH AS ITSELF WHO WILL BE VERY HEAVILY DEPENDENT ON EXPORT MARKETS. IRAN HOPES THAT AN OPEC PETROCHEMICAL COMMITTEE COULD EVENTUALLY FACILITATE JOINT PLANNING BY OPEC, OR AT LEAST PERSIAN GULF OPEC MEMBERS, OF THE TYPE, CAPACITY, ETC OF FUTURE PETROCHEMICAL PLANTS.
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Message Attributes

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Disposition Authority: KelleyW0
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Disposition Reason:
Disposition Remarks:
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Margaret P. Grafeld
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04 MAY 2006

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